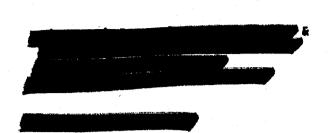
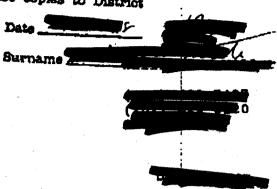
NO PROTEST RECEIVED
Release copies to District





Dear Applicant:

We have considered your letter dated which you seek a group exemption for your member districts under section 501(c)(3) of the Internal Revenue Code effective

our records show that you were recognized as exempt under section 501(c)(3) of the Code by letter dated and that you were held to be a section 509(a)(2) public charity by letter dated.

Your letter dated, was not received by the Service until

The information furnished shows that you work with the

State Soil and Water Conservation Districts (hereafter Districts) must operate, as well as budget approval for their funds.

You are seeking a group exemption letter covering
your member Districts. The information shows that the Districts
are political subdivisions of the
represented that the Districts receive funds from the State,
County Commissions, rental of equipment they own, and grants and
donations from the public. Further, it is represented that the
Districts do not have the power to levy and collect taxes.
However, the Districts received of the

You represent that the Districts work with farmers and land owners concerning soil conservation practices. Also, you represent that the Districts work with local schools and provide educational programs with respect to soil conservation. Further, you represent that the Districts sponsor workshops, seminars, and field days for teachers, students and the general public concerning soil erosion and other environmental topics.

The information furnished shows that the Districts are governed by District supervisors who are elected by County residents. Also, the information furnished shows that County Commissions appropriate funds and/or services to the Districts. Further, you state that, in addition to State and County funding, the Districts solicit funds from the public and sell conservation related items to the public. However, you represent that the

Districts do not engage in business ventures that compete with private enterprise.

The information furnished shows that you operate on a calendar year basis and that the Districts operate on a fiscal year basis ended forms You represent that the Districts will file individual Forms 990.

of your governing instrument provides that "the supreme authority in the direction and control [of your affairs] shall rest in the membership." Thus it appears that your member Districts control you, rather than you controlling the member Districts.

provides that on dissolution your assets shall be distributed to any not-for-profit corporation.

We asked you to submit a sample of a District's creating document. You furnished a sample of the . The information furnished shows that a petition was filed with the stablishment of a soil and water district in

The information furnished shows that in

Also, the

information furnished shows that the

There appears to be no agreements with you.

It appears from the supervisors of the county a copy of its rules, regulations, forms and other documents to the not to you.

Section 501(c)(3) of the Internal Revenue Code provides, in part, for the examption from federal income tax of organizations organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1(b)(4) of the regulations provides, in part, that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an

exempt purpose. An organization's assets will be dedicated to an exempt purpose if, upon dissolution, the organization's assets are distributed to an organization which is tax exempt under section 501(c)(3) of the Code, or to the Federal government or a State for exclusively public purposes.

Section 3.01 of Rev. Proc. 80-27, 1980-1 C.B. 677, provides that a group exemption letter is a ruling or determination letter issued to a central organization recognizing on a group basis the exemption under section 501(c) of the Code of subordinate organizations on whose behalf the central organization has applied.

Section 3.02 of Rev. Proc. 80-27, provides that a central organization is an organization that has one or more subordinates under its general supervision or control.

Section 3.03 of Rev. Proc. 80-27, provides that a subordinate is a chapter, local, post, or unit of a central organization.

Section 4.02 of Rev. Proc. 80-27, provides that a central organization must establish that the subordinates to be included in the group exemption letter are:

- 1 Affiliated with it;
- 2 Subject to its general supervision or control;
- 3 All exempt under the same paragraph of section 501(c) of the Code, though not necessarily the paragraph under which the central organization is exempt;
- 4 Not private foundations, if the application for a group exemption letter involves section 501(c)(3);
- 5 All on the same accounting period as the central organization if they are to be included in group returns; and
- 6 Organizations that have been formed within the 15-month period prior to the date of submission of the group exemption application, if they are claiming section 501(c)(3) status and are subject to the requirements of section 508(a), and wish to be recognized as exempt from their dates of creation. A group exemption letter may be issued covering subordinates, one or more of which have not been organized within the 15-month period prior to the date of submission, if all subordinates are willing to be recognized as exempt only from the date of application.

The threshold issue is whether the Districts are under your general supervision and control, and whether you meet the

requirements for the issuance of a group exemption letter as set out in Rev. Proc. 80-27.

Based on the information furnished it does not appear that you have any supervision and control over your member districts. In fact, it appears that your member districts control your operations. Moreover, the information furnished shows that the Districts are under the jurisdiction and control of the Further, the information shows that the Districts are political subdivisions of the State of that the Districts are political subdivisions of the State of the Control of the State of the Control of the State of the Districts are political subdivisions of the State of the Control of the State of the State of the Control of the State of the State of the Control of the

As a matter of information, your Articles do not contain a proper dissolution provision as required by section 1.501(c)(3)-1(b)(4) of the regulations. To meet the organizational test under section 501(c)(3), subsection by the contained of your governing instrument should provide that your assets will be distributed to an organization described in section 501(c)(3) of the Code, or to the code of the code of the code.

Based on the information furnished we conclude that the are not your subordinates within the meaning of section 3.03 of Rev. Proc. 80-27, supra.

Further, even if it was established that the Districts are affiliated with you and are your subordinates within the meaning of section 3.03 of Rev. Proc. 80-27, supra., the information furnished does not establish that the Districts are subject to your general supervision or control within the meaning of section 4.02 of Rev. Proc. 80-27, supra.

Therefore, we conclude that you have not established that you meet the requirements of Rev. Proc. 80-27, for the issuance of a group exemption letter recognizing your member Districts as exempt on a group basis under section 501(c) of the Code.

Therefore, based on the above, we conclude that you do not qualify for the issuance of a group exemption letter recognizing your member Districts as exempt from federal income tax under section 501(c)(3) of the Code.

This ruling does not adversely affect your tax exempt status under section 501(c)(3) of the Code. Your exemption letter of remains in full force and effect.

You have the right to protest this ruling if you believe that it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement must be submitted within 30 days of the date of this letter and must be signed by one of your principal officers. You also have the right to a conference in this office after your statement is submitted. If you want a conference, you must request it when you file your protest statement. If you are to

be represented by someone who is not one of your principal officers, that person must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements.

If you do not protest this proposed ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that a declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization has exhausted administrative remedies available to it within the Internal Revenue Service.

When sending additional correspondence to the Internal Revenue Service with respect to this case, you will expedite their receipt by using the following address:



If we do not hear from you within 30 days this ruling will become final and copies will be forwarded to your key District Director in Dallas, Texas. Thereafter, any questions about your federal income tax status should be addressed to that office. The appropriate State officials will be notified of this action in accordance with section 6104(c) of the Code.

Sincerely yours,





